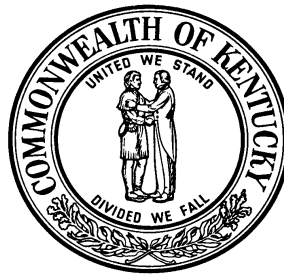


**REPORT OF THE AUDIT OF THE
PERRY COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2014**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
AUDIT OF THE
PERRY COUNTY FISCAL COURT

June 30, 2014

The Auditor of Public Accounts has completed the audit of the Perry County Fiscal Court for fiscal year ended June 30, 2014.

We have issued an unmodified opinion, based on our audit, on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Perry County, Kentucky.

Financial Condition:

The Perry County Fiscal Court had total receipts of \$12,322,475 and disbursements of \$12,324,592 in fiscal year 2014. This resulted in a total ending fund balance of \$111,023, which is a decrease of \$2,117 from the prior year.

Report Comments:

- 2014-001 Invoices Should Be Paid Within 30 Working Days
- 2014-002 Perry County Should Accurately Report Debt On The Quarterly Financial Statement
- 2014-003 The Perry County Fiscal Court Did Not Properly Account For Deferred Compensation
- 2014-004 Perry County Fiscal Court Should Improve Controls Over Payroll Procedures
- 2014-005 The Perry County Fiscal Court Should Establish Adequate Controls Over The Public Properties Corporation Fund

Deposits:

The Fiscal Court deposits were insured and collateralized by bank securities or bonds.

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
Honorable Denny Ray Noble, Former Perry County Judge/Executive
Honorable Scott Alexander, Perry County Judge/Executive
Members of the Perry County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Perry County, Kentucky, for the year ended June 30, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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AN EQUAL OPPORTUNITY EMPLOYER M / F / D



To the People of Kentucky

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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described more fully in Note 1, the financial statement is prepared by Perry County, Kentucky on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Perry County, Kentucky as of June 30, 2014, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of Perry County, Kentucky as of June 30, 2014, and its cash receipts and disbursements, for the year then ended, in accordance with the accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Perry County, Kentucky. The budgetary comparison schedules and capital asset schedule are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The budgetary comparison schedules and capital asset schedule have been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and capital asset schedule are fairly stated in all material respects in relation to the basic financial statement.

To the People of Kentucky

Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

Honorable Denny Ray Noble, Former Perry County Judge/Executive

Honorable Scott Alexander, Perry County Judge/Executive

Members of the Perry County Fiscal Court

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2015 on our consideration of Perry County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations included herein, which discuss the following report comments:

- 2014-001 Invoices Should Be Paid Within 30 Working Days
- 2014-002 Perry County Should Accurately Report Debt On The Quarterly Financial Statement
- 2014-003 The Perry County Fiscal Court Did Not Properly Account For Deferred Compensation
- 2014-004 Perry County Fiscal Court Should Improve Controls Over Payroll Procedures
- 2014-005 The Perry County Fiscal Court Should Establish Adequate Controls Over The Public Properties Corporation Fund

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Mike Harmon", with a long horizontal flourish extending to the right.

Mike Harmon
Auditor of Public Accounts

August 20, 2015

PERRY COUNTY OFFICIALS

For The Year Ended June 30, 2014

Fiscal Court Members:

Denny Ray Noble	Former County Judge/Executive
James Hurley	Magistrate
Ronald Combs	Magistrate
Earl Brashear	Magistrate

Other Elected Officials:

John Carl Shackelford	County Attorney
Jeanette Hughes	Jailer
Haven King	County Clerk
Roger Collins	Circuit Court Clerk
Les Burgett	Sheriff
John Frank Gross	Property Valuation Administrator
Jimmy Maggard	Coroner

Appointed Personnel:

Tonya Delph	County Treasurer
Joyce Napier	Chief Financial Officer

PERRY COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2014

PERRY COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2014

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 1,591,649	\$ 4,428	\$
Excess Fees	33,894		
Licenses and Permits	431,466		
Intergovernmental	500,453	1,476,283	199,750
Charges for Services	48,805		100,656
Miscellaneous	172,054	18,390	124
Interest	334	409	
Total Receipts	<u>2,778,655</u>	<u>1,499,510</u>	<u>300,530</u>
DISBURSEMENTS			
General Government	1,398,018		
Protection to Persons and Property	18,320		2,001,977
General Health and Sanitation			
Social Services			
Recreation and Culture	61,539		
Roads		1,897,348	
Debt Service		209,329	
Administration	<u>1,703,441</u>	<u>188,279</u>	<u>189,863</u>
Total Disbursements	<u>3,181,318</u>	<u>2,294,956</u>	<u>2,191,840</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(402,663)</u>	<u>(795,446)</u>	<u>(1,891,310)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	860,500	1,048,695	2,294,526
Transfers To Other Funds	<u>(463,000)</u>	<u>(260,816)</u>	<u>(406,128)</u>
Total Other Adjustments to Cash (Uses)	<u>397,500</u>	<u>787,879</u>	<u>1,888,398</u>
Net Change in Fund Balance	(5,163)	(7,567)	(2,912)
Fund Balance - Beginning (Restated)	<u>10,761</u>	<u>10,276</u>	<u>4,997</u>
Fund Balance - Ending	<u>\$ 5,598</u>	<u>\$ 2,709</u>	<u>\$ 2,085</u>
Composition of Fund Balance			
Bank Balance	\$ 38,735	\$ 34,047	\$ 163,683
Less: Outstanding Checks	<u>(33,137)</u>	<u>(31,338)</u>	<u>(161,598)</u>
Fund Balance - Ending	<u>\$ 5,598</u>	<u>\$ 2,709</u>	<u>\$ 2,085</u>

The accompanying notes are an integral part of the financial statement.

PERRY COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2014
(Continued)

Budgeted Funds					
Local Government Economic Assistance Fund	Community Development Block Grant Fund	Emergency Planning Fund	Coal Severance Fund	E-911 Fund	Public Properties Corporation Fund
\$	\$	\$	\$	\$ 253,379	\$
4,012,497			2,678,584	155,095	
16,212					
178,323				26	156,000
851			194	42	76
<u>4,207,883</u>			<u>2,678,778</u>	<u>408,542</u>	<u>156,076</u>
209,181		125	205,697	394,110	
137,339			715,807		
219,733			75,000		
92,040					
497,361					
<u>556,789</u>			<u>340,620</u>	<u>83,647</u>	
<u>1,712,443</u>		<u>125</u>	<u>1,337,124</u>	<u>477,757</u>	
2,495,440		(125)	1,341,654	(69,215)	156,076
451,287			439,520	90,000	114,000
(2,935,020)			(1,753,118)	(20,000)	(266,780)
<u>(2,483,733)</u>			<u>(1,313,598)</u>	<u>70,000</u>	<u>(152,780)</u>
11,707		(125)	28,056	785	3,296
6,560	93	3,026	23,228	1,377	577
<u>\$ 18,267</u>	<u>\$ 93</u>	<u>\$ 2,901</u>	<u>\$ 51,284</u>	<u>\$ 2,162</u>	<u>\$ 3,873</u>
\$ 175,428	\$ 93	\$ 2,901	\$ 101,284	\$ 3,548	\$ 3,873
<u>(157,161)</u>			<u>(50,000)</u>	<u>(1,386)</u>	
<u>\$ 18,267</u>	<u>\$ 93</u>	<u>\$ 2,901</u>	<u>\$ 51,284</u>	<u>\$ 2,162</u>	<u>\$ 3,873</u>

The accompanying notes are an integral part of the financial statement.

PERRY COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2014
(Continued)

	Unbudgeted Funds		
	Public Properties Corporation Bond Fund	Justice Center Corporation Fund	Total Funds
RECEIPTS			
Taxes	\$	\$	\$ 1,849,456
Excess Fees			33,894
Licenses and Permits			431,466
Intergovernmental	182,520	109,978	9,315,160
Charges for Services			165,673
Miscellaneous			524,917
Interest	3		1,909
Total Receipts	<u>182,523</u>	<u>109,978</u>	<u>12,322,475</u>
DISBURSEMENTS			
General Government			1,603,715
Protection to Persons and Property			2,623,713
General Health and Sanitation			853,146
Social Services			294,733
Recreation and Culture			153,579
Roads	30,197		2,424,906
Debt Service	988,854	109,978	1,308,161
Administration			3,062,639
Total Disbursements	<u>1,019,051</u>	<u>109,978</u>	<u>12,324,592</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(836,528)</u>		<u>(2,117)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	806,334		6,104,862
Transfers To Other Funds			(6,104,862)
Total Other Adjustments to Cash (Uses)	<u>806,334</u>		
Net Change in Fund Balance	(30,194)		(2,117)
Fund Balance - Beginning (Restated)	48,891	3,354	113,140
Fund Balance - Ending	<u>\$ 18,697</u>	<u>\$ 3,354</u>	<u>\$ 111,023</u>
Composition of Fund Balance			
Bank Balance	\$ 18,697	\$ 3,354	\$ 545,643
Less Outstanding Checks			(434,620)
Ending Fund Balance	<u>\$ 18,697</u>	<u>\$ 3,354</u>	<u>\$ 111,023</u>

The accompanying notes are an integral part of the financial statement.

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TO THE FINANCIAL STATEMENT**

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PERRY COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2014

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Perry County includes all budgeted and unbudgeted funds under the control of the Perry County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities that are within the county's control. Unbudgeted funds may also include any corporation to act as the Fiscal Court in the acquisition and financing of any public project which may be undertaken by the Fiscal Court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the Fiscal Court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

The following entity: Perry County Ambulance Authority, Inc. would have been included in the reporting entity under accounting principles generally accepted in the United State of America (GAAP) as established by the Government Accounting Standards Board. However, under the regulatory basis they are no longer a required component of the reporting entity. Audits of the entity can be obtained from the Perry County Fiscal Court, P.O. Drawer 210, Hazard, KY 41701 or the Perry County Ambulance Authority, Inc., 2264 North Main Street, Hazard, KY 41701.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The Fiscal Court reports the following budgeted funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

PERRY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and disbursements separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the Fiscal Court to maintain these receipts and disbursements separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

Community Development Block Grant (CDBG) Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary source of receipts for this fund is the Community Development Block Grant, which is a federal grant.

Perry County Emergency Planning Fund - The primary purpose of this fund is to account for emergency planning expenses of the county. The primary source of receipts for this fund is state grants.

Coal Severance Special Projects Fund - The primary purpose of this fund is to account for assistance provided to community development and infrastructure throughout Perry County. The source of receipts is coal severance tax receipts. The Department for Local Government requires the Fiscal Court to maintain these receipts and disbursements separately from the general fund.

E-911 Fund - The primary purpose of this fund is to account for the dispatch expenses of the county. The primary source of receipts for this fund is the 911 telephone surcharge.

Public Properties Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund road construction.

Unbudgeted Funds

The Fiscal Court reports the following unbudgeted funds:

Public Properties Corporation Bond Fund - The purpose of this fund is to account for debt service requirements of the general obligation refunding bond, Series 2008. The Department for Local Government does not require the Fiscal Court to report or budget this fund.

Justice Center Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund construction of the justice center. The Department for Local Government does not require the Fiscal Court to report or budget this fund.

PERRY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Public Properties Corporation Bond Fund or the Justice Center Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from these funds annually.

E. County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Perry County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the Fiscal Court, various cities and special districts within the county, and the Board of Education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of Perry County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

F. Deposits

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

PERRY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

H. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Perry County Fiscal Court and Knott County Fiscal Court: Kentucky River Regional Jail.

Kentucky River Regional Jail

On October 1, 2005, Perry County and Knott County (the participating counties) entered into an Interlocal Cooperation Agreement in order to provide for joint and cooperative action in the maintenance and financing of the Kentucky River Regional Jail. Pursuant to this interlocal agreement, Perry County financed the acquisition and construction of the Kentucky River Regional Jail. On November 1, 2007, the Perry County Fiscal Court issued \$4,975,000 of General Obligation Bonds to refund the Perry County Detention Center Bond issued in December 2001.

Pursuant to the lease and sublease, Perry County and Knott County covenant to meet their proportionate share of the debt service requirements on the bond as follows (the “proportionate share” or “use allowance”): 75% for Perry County and 25% for Knott County.

Note 2. Deposits

The Fiscal Court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government’s deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

PERRY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2014.

	General Fund	Road Fund	Jail Fund	LGEA Fund	Coal Severance Fund	E-911 Fund	Public Properties Corporation Fund	Total Transfers In
General Fund	\$	\$	\$	\$ 730,500	\$ 130,000	\$	\$	\$ 860,500
Road Fund	50,000			347,000	606,305		45,390	1,048,695
Jail Fund	305,000			1,453,000	454,526		82,000	2,294,526
LGEA Fund	15,000				436,287			451,287
Coal Severance Fund	75,000			344,520		20,000		439,520
E-911 Fund	18,000			60,000	12,000			90,000
Public Properties Corporation Fund					114,000			114,000
Public Properties Corporation Bond Fund		260,816	406,128				139,390	806,334
Total Transfers Out	<u>\$ 463,000</u>	<u>\$ 260,816</u>	<u>\$ 406,128</u>	<u>\$ 2,935,020</u>	<u>\$ 1,753,118</u>	<u>\$ 20,000</u>	<u>\$ 266,780</u>	<u>\$ 6,104,862</u>

Reason for transfers:

To move resources from and to the General Fund and other funds, for budgetary purposes, to the funds that will expend them.

Note 4. Long-term Debt

A. General Obligation Refunding Bonds, Series 2010

On June 1, 2010, the Perry County Fiscal Court issued \$1,125,000 in General Obligation Refunding Bonds to purchase a building. The bonds are scheduled to mature in June 2018 and have a variable interest of 2% to 3.625%. Semiannual interest payments are required in June and December with the principal amount due each June. As of June 30, 2014, the principal balance outstanding was \$470,000. Debt service requirements for fiscal years ending June 30, 2014, and thereafter are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2015	\$ 140,000	\$ 14,881
2016	145,000	10,681
2017	150,000	6,331
2018	35,000	1,269
Totals	<u>\$ 470,000</u>	<u>\$ 33,162</u>

PERRY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 4. Long-term Debt (Continued)

B. General Obligation Refunding Bonds, Series 2007

In November 2007, the Perry County Fiscal Court issued \$4,975,000 in General Obligation Refunding Bonds to refund the Perry County Detention Center Bond from December 2001. The bonds are scheduled to mature in December 2026 and have an interest rate of 3.85%. Semiannual interest payments are required in June and December with principal amount due each December. As of June 30, 2014, the principal balance outstanding was \$4,195,000. Debt service requirements for fiscal years ending June 30, 2014, and thereafter are as follows:

Fiscal Year Ended June 30	Principal	Interest
2015	\$ 250,000	\$ 156,695
2016	265,000	146,781
2017	275,000	136,386
2018	285,000	125,606
2019	295,000	114,441
2020-2024	1,665,000	388,368
2025-2026	1,160,000	67,953
Totals	<u>\$ 4,195,000</u>	<u>\$ 1,136,231</u>

C. Revenue Refunding Bonds, Series 2012

On July 17, 2012, Perry County issued \$3,875,000 of revenue refunding bonds for the refinancing of the Judicial Center. The bonds require semiannual interest and principal payments to be made on October 1 and April 1 of each year, commencing on October 1, 2012. The agreement has a variable interest rate of 1.0 to 2.5 percent. The bonds will mature June 30, 2023. As of June 30, 2014, the principal amount outstanding was \$3,845,000. Payments for the remaining years are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2015	\$ 400,000	\$ 71,975
2016	400,000	66,475
2017	410,000	60,400
2018	420,000	53,650
2019	425,000	45,725
2020-2023	1,790,000	88,013
Totals	<u>\$ 3,845,000</u>	<u>\$ 386,238</u>

PERRY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 4. Long-term Debt (Continued)

D. Financing Obligation - Land Purchase And Demolition Refinancing

On May 13, 2009, the Perry County Justice Center Corporation entered into a capital lease agreement with the Kentucky Area Development District Financing Trust, on behalf of the Administrative Office of Courts in the amount of \$1,910,000, for the purpose of refinancing a prior debt issue. Terms of the lease agreement stipulate a 12-year repayment schedule with semiannual interest payments and annual principal payments.

The Perry County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust are acting as an agent for the Administrative Office of the Courts in order to plan, design, construct, manage and maintain the Justice Building. The Perry County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust expect annual rentals for use of the Justice Building to be in the full amount of the annual principal and interest requirements of this KADD lease. Under the terms of an additional use and sublease agreement, the Administrative Office of the Courts has agreed to pay directly to the paying agent bank, the use allowance payment as provided in the use and sublease agreement. The use and sublease agreement is renewable each year. The Perry County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust are in reliance upon the use allowance payment in order to meet the debt service for the KADD lease.

The use allowance payment has commenced prior to the occupancy of the Justice Building by the Administrative Office of the Courts. The Administrative Office of the Courts with the execution of the use and sublease agreement has expressed its intention to continue to pay the full use allowance payment in each successive biennial budget period until May 2018, but the use and sublease agreement does not legally obligate the Administrative Office of the Courts to do so.

This lease requires semiannual interest and principal payments be made on October 20 and September 20 of each year, commencing on November 20, 2009. The agreement has a variable interest rate of 1.25 to 4.0 percent. As of June 30, 2014, the principal amount outstanding was \$1,255,000. Debt service requirements for fiscal years ending June 30, 2014, and thereafter are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2015	\$ 140,000	\$ 47,760
2016	145,000	43,645
2017	150,000	39,163
2018	150,000	34,150
2019	160,000	28,905
2020-2022	<u>510,000</u>	<u>49,137</u>
Totals	<u>\$ 1,255,000</u>	<u>\$ 242,760</u>

PERRY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 4. Long-term Debt (Continued)

E. Financing Obligation – Road Improvement

On November 12, 2010, the Perry County Fiscal Court entered into a \$2,000,000 lease agreement with the Kentucky Area Development Districts Financing Trust for the purpose of road improvements. This lease requires semiannual interest and principal payments be made on October 20 and May 20 of each year, commencing on May 20, 2011. The agreement has a variable interest rate of 2.0 to 4.0 percent. As of June 30, 2014, the principal amount outstanding was \$1,560,000. Debt service requirements for fiscal years ending June 30, 2014, and thereafter are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2015	\$ 205,000	\$ 47,725
2016	210,000	43,050
2017	215,000	37,469
2018	220,000	30,939
2019	230,000	23,338
2020-2021	480,000	20,156
Totals	<u>\$ 1,560,000</u>	<u>\$ 202,677</u>

F. Financing Obligation – Bush Hog Tractors

On August 17, 2009, the Perry County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties in the amount of \$175,682 for the purchase of two bush hog tractors. The agreement requires variable monthly payments for 60 months to be paid in full July 20, 2014 with an interest rate of 4.365%. As of June 30, 2014 this lease was paid off.

G. Financing Obligation – Excavator

On January 20, 2012, the Perry Fiscal Court entered into a lease agreement with the Kentucky Association of Counties in the amount of \$82,853 for the purchase of an excavator. The agreement requires monthly payments in the amount of \$1,381 to be paid in full on January 20, 2017 with an interest rate of 2.55%. As of June 30, 2014 this lease was paid off.

H. Financing Obligation – Vehicles

On April 5, 2012, the Perry Fiscal Court entered into a lease agreement with the Kentucky Association of Counties in the amount of \$106,194 for the purchase of three vehicles. The agreement requires monthly payments of \$1,770 to be paid in full on April 20, 2017 with a variable interest rate. As of June 30, 2014 this lease was paid off.

I. Financing Obligation – Truck

On June 22, 2012, the Perry Fiscal Court entered into a lease agreement with the Kentucky Association of Counties in the amount of \$32,560 for the purchase of a vehicle. The agreement requires variable monthly payments to be paid in full on May 23, 2017 with an interest rate of 4.3%. As of June 30, 2014 this lease was paid off.

PERRY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 4. Long-term Debt (Continued)

J. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2014, was as follows:

	Balance (Restated)*	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 5,035,000	\$	\$ 370,000	\$ 4,665,000	\$ 390,000
Revenue Bonds	3,875,000		30,000	3,845,000	400,000
Financing Obligations	3,355,021		540,021	2,815,000	345,000
Total Long-term Debt	<u>\$ 12,265,021</u>	<u>\$ 0</u>	<u>\$ 940,021</u>	<u>\$ 11,325,000</u>	<u>\$ 1,135,000</u>

* - \$3,150,000 was reclassified from General Obligation Bonds to Financing Obligations

Note 5. Employee Retirement System

The Fiscal Court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.89 percent.

Hazardous covered employees are required to contribute eight percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute nine percent of their salary to be allocated as follows: eight percent will go to the member's account and one percent will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 35.70 percent.

The county's contribution for FY 2012 was \$578,591, FY 2013 was \$733,843, and FY 2014 was \$631,151.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

PERRY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 5. Employee Retirement System (Continued)

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 6. Deferred Compensation

The Perry County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

PERRY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 7. Insurance

For the fiscal year ended June 30, 2014, Perry County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Prior Period Adjustments

The beginning balance of the Jail Fund was decreased by \$1 and the Coal Severance Fund was increased by \$11 due to rounding and a prior year error.

PERRY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

PERRY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 1,570,000	\$ 1,956,592	\$ 1,591,649	\$ (364,943)
Excess Fees	8,000	8,000	33,894	25,894
Licenses and Permits	457,500	457,500	431,466	(26,034)
Intergovernmental	585,200	590,667	500,453	(90,214)
Charges for Services	35,000	35,000	48,805	13,805
Miscellaneous	77,100	150,248	172,054	21,806
Interest	500	500	334	(166)
Total Receipts	2,733,300	3,198,507	2,778,655	(419,852)
DISBURSEMENTS				
General Government	1,463,255	1,521,111	1,398,018	123,093
Protection to Persons and Property	14,300	18,321	18,320	1
Recreation and Culture	46,500	67,861	61,539	6,322
Administration	1,539,245	1,894,214	1,703,441	190,773
Total Disbursements	3,063,300	3,501,507	3,181,318	320,189
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(330,000)	(303,000)	(402,663)	(99,663)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	230,000	230,000	860,500	630,500
Transfers To Other Funds			(463,000)	(463,000)
Total Other Adjustments to Cash (Uses)	230,000	230,000	397,500	167,500
Net Change in Fund Balance	(100,000)	(73,000)	(5,163)	67,837
Fund Balance - Beginning	100,000	100,000	10,761	(89,239)
Fund Balance - Ending	\$ 0	\$ 27,000	\$ 5,598	\$ (21,402)

PERRY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

ROAD FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 4,500	\$ 4,500	\$ 4,428	\$ (72)
Intergovernmental	1,917,357	2,029,032	1,476,283	(552,749)
Miscellaneous	26,000	26,000	18,390	(7,610)
Interest	1,000	1,000	409	(591)
Total Receipts	1,948,857	2,060,532	1,499,510	(561,022)
DISBURSEMENTS				
Roads	1,479,598	1,932,935	1,897,348	35,587
Debt Service	342,184	470,146	209,329	260,817
Administration	459,752	218,768	188,279	30,489
Total Disbursements	2,281,534	2,621,849	2,294,956	326,893
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(332,677)	(561,317)	(795,446)	(234,129)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	250,000	250,000	1,048,695	798,695
Transfers To Other Funds			(260,816)	(260,816)
Total Other Adjustments to Cash (Uses)	250,000	250,000	787,879	537,879
Net Change in Fund Balance	(82,677)	(311,317)	(7,567)	303,750
Fund Balance - Beginning	82,677	82,677	10,276	(72,401)
Fund Balance - Ending	\$ 0	\$ (228,640)	\$ 2,709	\$ 231,349

PERRY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 167,000	\$ 202,615	\$ 199,750	\$ (2,865)
Miscellaneous	75,000	75,000	100,656	25,656
Interest	200	200	124	(76)
Total Receipts	242,200	277,815	300,530	22,715
DISBURSEMENTS				
Protection to Persons and Property	2,050,241	2,013,936	2,001,977	11,959
Debt Service	309,000			
Administration	19,097	190,889	189,863	1,026
Total Disbursements	2,378,338	2,204,825	2,191,840	12,985
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,136,138)	(1,927,010)	(1,891,310)	35,700
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	2,111,138	2,111,138	2,294,526	183,388
Transfers To Other Funds		(406,128)	(406,128)	
Total Other Adjustments to Cash (Uses)	2,111,138	1,705,010	1,888,398	183,388
Net Change in Fund Balance	(25,000)	(222,000)	(2,912)	219,088
Fund Balance - Beginning	25,000	25,000	4,997	(20,003)
Fund Balance - Ending	\$ 0	\$ (197,000)	\$ 2,085	\$ 199,085

PERRY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 3,020,600	\$ 3,345,313	\$ 4,012,497	\$ 667,184
Charges For Services	11,000	11,000	16,212	5,212
Miscellaneous	61,700	149,222	178,323	29,101
Interest	2,500	2,500	851	(1,649)
Total Receipts	3,095,800	3,508,035	4,207,883	699,848
DISBURSEMENTS				
General Government				
Protection to Persons and Property	231,570	233,123	209,181	23,942
General Health and Sanitation	108,806	146,117	137,339	8,778
Social Services	220,000	225,500	219,733	5,767
Recreation and Culture	114,200	105,356	92,040	13,316
Roads	600,000	600,000	497,361	102,639
Capital Projects		3,800		3,800
Administration	932,810	726,085	556,789	169,296
Total Disbursements	2,207,386	2,039,981	1,712,443	327,538
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	888,414	1,468,054	2,495,440	1,027,386
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,377,724	1,377,724	451,287	(926,437)
Transfers To Other Funds	(2,341,138)	(2,341,138)	(2,935,020)	(593,882)
Total Other Adjustments to Cash (Uses)	(963,414)	(963,414)	(2,483,733)	(1,520,319)
Net Change in Fund Balance	(75,000)	504,640	11,707	(492,933)
Fund Balance - Beginning	75,000	75,000	6,560	(68,440)
Fund Balance - Ending	\$ 0	\$ 579,640	\$ 18,267	\$ (561,373)

PERRY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

COMMUNITY DEVELOPMENT BLOCK GRANT				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
DISBURSEMENTS				
Protection to Persons and Property	\$ 93	\$ 93	\$ 0	\$ 93
Total Disbursements	93	93		93
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(93)	(93)		93
Net Change in Fund Balance	(93)	(93)		93
Fund Balance - Beginning	93	93	93	
Fund Balance - Ending	\$ 0	\$ 0	\$ 93	\$ 93

PERRY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

EMERGENCY PLANNING FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
DISBURSEMENTS				
General Government	\$ 4,101	\$ 4,101	\$ 125	\$ 3,976
Total Disbursements	4,101	4,101	125	3,976
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(4,101)	(4,101)	(125)	3,976
Net Change in Fund Balance	(4,101)	(4,101)	(125)	3,976
Fund Balance - Beginning	4,101	4,101	3,026	(1,075)
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,901	\$ 2,901

PERRY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

COAL SEVERANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,900,000	\$ 2,900,000	\$ 2,678,584	\$ (221,416)
Interest	1,000	1,000	194	(806)
Total Receipts	<u>2,901,000</u>	<u>2,901,000</u>	<u>2,678,778</u>	<u>(222,222)</u>
DISBURSEMENTS				
General Government	1,218,276	257,276	205,697	51,579
General Health and Sanitation		722,000	715,807	6,193
Social Services		75,000	75,000	
Administration		345,000	340,620	4,380
Total Disbursements	<u>1,218,276</u>	<u>1,399,276</u>	<u>1,337,124</u>	<u>62,152</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,682,724</u>	<u>1,501,724</u>	<u>1,341,654</u>	<u>(160,070)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			439,520	439,520
Transfers To Other Funds	<u>(1,782,724)</u>	<u>(1,782,724)</u>	<u>(1,753,118)</u>	<u>29,606</u>
Total Other Adjustments to Cash (Uses)	<u>(1,782,724)</u>	<u>(1,782,724)</u>	<u>(1,313,598)</u>	<u>469,126</u>
Net Change in Fund Balance	(100,000)	(281,000)	28,056	309,056
Fund Balance - Beginning	<u>100,000</u>	<u>100,000</u>	<u>23,228</u>	<u>(76,772)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (181,000)</u>	<u>\$ 51,284</u>	<u>\$ 232,284</u>

PERRY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

E-911 FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 280,000	\$ 280,000	\$ 253,379	\$ (26,621)
Intergovernmental	134,000	134,000	155,095	21,095
Miscellaneous			26	26
Interest	100	100	42	(58)
Total Receipts	414,100	414,100	408,542	(5,558)
DISBURSEMENTS				
Protection to Persons and Property	433,500	438,500	394,110	44,390
Administration	185,600	180,600	83,647	96,953
Total Disbursements	619,100	619,100	477,757	141,343
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(205,000)	(205,000)	(69,215)	135,785
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	155,000	155,000	90,000	(65,000)
Transfers To Other Funds			(20,000)	(20,000)
Total Other Adjustments to Cash (Uses)	155,000	155,000	70,000	(85,000)
Net Change in Fund Balance	(50,000)	(50,000)	785	50,785
Fund Balance - Beginning	50,000	50,000	1,377	(48,623)
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,162	\$ 2,162

PERRY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

PUBLIC PROPERTIES CORPORATION FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 156,000	\$ 156,000	\$ 156,000	\$ 0
Interest	200	200	76	(124)
Total Receipts	156,200	156,200	156,076	(124)
DISBURSEMENTS				
Debt Service	161,200			
Total Disbursements	161,200			
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(5,000)	156,200	156,076	(124)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			114,000	114,000
Transfers To Other Funds		(161,200)	(266,780)	(105,580)
Total Other Adjustments to Cash (Uses)		(161,200)	(152,780)	8,420
Net Change in Fund Balance	(5,000)	(5,000)	3,296	8,296
Fund Balance - Beginning	5,000	5,000	577	(4,423)
Fund Balance - Ending	\$ 0	\$ 0	\$ 3,873	\$ 3,873

PERRY COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2014

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

PERRY COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

The Fiscal Court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 2,862,802	\$	\$	\$ 2,862,802
Construction In Progress	204,255		204,255	
Buildings and Improvements	16,137,428	204,255		16,341,683
Vehicles and Equipment	3,994,559			3,994,559
Infrastructure	15,941,054	653,512		16,594,566
 Total Capital Assets	 <u>\$ 39,140,098</u>	 <u>\$ 857,767</u>	 <u>\$ 204,255</u>	 <u>\$39,793,610</u>

PERRY COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS

June 30, 2014

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 5,000	5-15
Office Furniture and Equipment	\$ 5,000	3-5
Vehicles	\$ 5,000	5-7
Infrastructure	\$ 20,000	2-5

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Denny Ray Noble, Former Perry County Judge/Executive
The Honorable Scott Alexander, Perry County Judge/Executive
Members of the Perry County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Perry County Fiscal Court for the fiscal year ended June 30, 2014 and the related notes to the financial statement and have issued our report thereon dated August 20, 2015. The Fiscal Court's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Perry County Fiscal Court's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Perry County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Perry County Fiscal Court's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, which are described in the accompanying comments and recommendations as items 2014-004 and 2014-005 that we consider to be significant deficiencies.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Perry County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying comments and recommendations as items 2014-001, 2014-002, and 2014-003.

Former County Judge's Responses to Findings

The former Perry County Judge's responses to the findings identified in our audit are included in the accompanying comments and recommendations. The former County Judge's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", followed by a horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

August 20, 2015

**PERRY COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2014

PERRY COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2014

STATE LAWS AND REGULATIONS:

2014-001 Invoices Should Be Paid Within 30 Working Days

We found three invoices totaling \$551,137 that were not paid timely. KRS 65.140(2) states that all bills for goods or services shall be paid within 30 working days of receipt of vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper invoicing by the vendor or by the vendor's subcontractor. It continues to state that if a payment of invoices exceeds 30 days, a 1% interest penalty should be added. We recommend that the county comply with KRS 65.140(2) by paying invoices within 30 working days in the future.

Former County Judge/Executive Denny Ray Noble's Response: The Fiscal Court will pay all invoices within 30 days to the best of our abilities.

2014-002 Perry County Should Accurately Report Debt On The Quarterly Financial Statement

The debt schedule presented with the 4th Quarter Report (which also serves as the year-end financial statement) inaccurately reported debt obligations. The quarterly report did not include the Perry County Justice Center Bonds with an outstanding balance of \$3,845,000. In addition, three additional debt issues shown have the incorrect principal balances. Due to these errors and the omission, long-term debt was understated by \$4,440,000. An accurate debt schedule is necessary for both the Department for Local Government reporting requirements and for that of the financial statement. We recommend that Perry County ensure that the correct amounts are shown on all financial statements presented to the public and the Department for Local Government. We further recommend that Perry County review all aspects of the Quarterly Reports before signing and submitting.

Former County Judge/Executive Denny Ray Noble's Response: The Fiscal Court will see what our options are as far as reporting the Perry County Justice Center Bond since the Fiscal Court does not pay this debt. It is paid by the Justice Center Corporation.

2014-003 The Perry County Fiscal Court Did Not Properly Account For Deferred Compensation

During our test of the county's payroll, we found that the deferred compensation withholdings were not subject to social security and Medicare taxes. According to the IRS publication 525, "An elective deferral... is not included in wages subject to income tax at the time contributed. However, it is included in wages subject to social security and Medicare taxes." This could cause wages to be reported incorrectly on an employee's W-2s and social security and Medicare taxes to not be reported properly. We recommend the Perry County Fiscal Court seek the advice of a tax professional to determine whether employees' W-2s and withholding reports need to be amended.

Former County Judge/Executive Denny Ray Noble's Response: After the Auditor made us aware of the taxes being cut incorrectly on the Deferred Compensation, I took all the payroll information and rules set for tax deductions in regards to Deferred Compensation to a local CPA who assisted the fiscal court in making tax adjustments. Also, he reviewed the next payroll to ensure taxes were being cut correctly.

PERRY COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2014
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES:

2014-004 Perry County Fiscal Court Should Improve Controls Over Payroll Procedures

The Fiscal Court has deficiencies in internal controls over payroll. The deficiencies listed below occurred because the Fiscal Court lacked proper oversight over the payroll function. During our review of payroll, we noted the following:

- Timecards were not being properly completed. Of the timesheets tested, we noted the following:
 - Timecards tested did not indicate the amount of time taken for lunch and/or breaks.
 - Timecards for five employees were not signed by a supervisor
 - Timecard for one employee did not indicate time worked for the second week for pay period and one employee did not clock out at the end of his shift.
 - One road department employee clocked in 30 minutes early to open the shop but did not include this time on the worksheet submitted to the treasurer for pay period. If this time had been included on the worksheet, the employee would have been entitled to overtime for time worked.
- The County did not prepare a pay plan as required by their policies and procedures. The County did not approve and set the salaries for County employees. Only pay rate increases were noted per reading the minutes.

Good internal controls dictate that all employees, except those statutorily exempt from this requirement, maintain and submit timesheets for payroll processing. Per the County's Policies and Procedures Manual a pay plan should be prepared and shall prescribe for each class a minimum and maximum rate of pay. KRS 64.530 states the Fiscal Court of each county shall fix the compensation of every County officer and employee. The County should list all employees and each salary or hourly pay rate. The County should also include the starting pay rates for entry-level positions. The County should revise this list as increases are approved by the Fiscal Court. We recommend the Fiscal Court reevaluate their controls over payroll to determine the controls that would best address the findings listed above. The Fiscal Court may determine the controls listed above are adequate or may decide to implement other controls to eliminate such internal control weaknesses in the future.

Former County Judge/Executive Denny Ray Noble's Response:

- *On July 1, 2015 the Fiscal Court adopted a new Policy and Procedure manual and Administrative Code that directly states that the Fiscal Court employees are given an hour for lunch and they do not clock in and out for this.*
- *All supervisors have been told to sign or initial each timecard (the finance officer is to check and make sure all timecards have been signed prior to filing them each pay period)*
- *All supervisors have been told to be sure that time reported to the treasurer matches what is on the timecard.*
- *Road supervisor has been told to report employees' time as stated on the time card*
- *On January 22, 2015 the Fiscal Court voted on hiring all employees and set pay rate for each employee and will continue to do this every January in the future.*

PERRY COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2014
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES: (Continued)

2014-005 The Perry County Fiscal Court Should Establish Adequate Controls Over The Public Properties Corporation Fund

The Perry County Fiscal Court did not maintain adequate controls over the Public Properties Corporation Bond Fund or the Justice Center Corporation Fund. During testing, we noted that the Treasurer did not reconcile bank statements or prepare financial statements for Public Properties Corporation Bond Fund or the Justice Center Corporation Fund. These are unbudgeted funds of the Fiscal Court. The Fiscal Court is financially accountable and legally obligated for the debt of the Public Properties Corporation Bond Fund and the Justice Center Corporation Fund. The Fiscal Court should require that proper records be maintained for these unbudgeted funds. The Fiscal Court is not aware of the transactions that are occurring relating to the receipts and disbursements of the unbudgeted funds. We recommend the Treasurer reconcile these accounts and prepare a financial statement for the Public Properties Corporation Bond Fund and the Justice Center Corporation Fund.

Former County Judge/Executive Denny Ray Noble's Response: In the future the Treasurer will prepare bank reconciliations or financial statements for all Public Properties Corporation Bond Funds.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

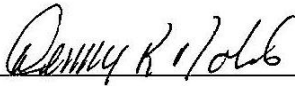
PERRY COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2014**

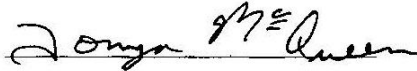
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
PERRY COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2014

The Perry County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in cursive script, appearing to read "Penny K. Holt", written over a horizontal line.

Former County Judge/Executive

A handwritten signature in cursive script, appearing to read "Donna McQueen", written over a horizontal line.

County Treasurer

